

Market Commentary
Weekly Recap:

Rates rose anew and stock prices fell globally in the wake of Wednesday's FOMC meeting. The updated Summary of Economic Projections showed weaker growth and higher unemployment in 2023 relative to the previous SEP release from three months ago, consistent with the notion that economic pain will be necessary in order to get inflation under control. Meanwhile, the updated Dot Plot demonstrated the Fed's resolve in keeping rates "higher for longer", with a median year-end 2023 Fed Funds projection of 4.625% and no sign of any "dovish pivot" prior to 2024.

With investor confidence already fragile, Friday's poorly received budget from the new UK government provided a fresh catalyst for another leg lower. The proposal featured a raft of deficit-financed tax cuts aimed at raising economic growth to a sustained 2.5% annual rate, drawing immediate comparisons to Anthony Barber's 1972 budget that led to a highly inflationary boom/bust cycle and eventually an IMF bailout for the UK. Economic growth of that magnitude has not occurred in the UK in 15 years, and appears highly ambitious (if not outright unrealistic) given the country's -0.5% population growth rate and its departure from the EU.

In US economic news, incoming data continue to suggest that the probability of recession in the coming months is very high. New residential building permits fell sharply once again as the housing market slows, moving the indicator from green to yellow on Albion's key leading indicator dashboard. Meanwhile, the Conference Board's Leading Economic Index (LEI) fell sequentially for the 6th straight month and is now at -1% on a y/y basis, a level that historically has indicated a near certainty of imminent recession.

Albion's "Four Pillars":

*Economy & Earnings - US GDP growth fell in Q1 (-1.6%) and in Q2 (-0.6%), but job creation remained strong in 1H22 with 2.75mn NFP added. Consensus calls for slow growth in 2H22 despite weak consumer confidence and softer housing and labor markets. Corporate operating margins remained robust in 1H22, but many companies have warned that inflation could pressure margins going forward.

*Valuation - The S&P 500's forward P/E of 16x is slightly above the long run average, and more predictive valuation metrics like CAPE, Tobin's Q, and the Buffett Indicator (Mkt Cap / GDP) suggest that compound annual returns over the next decade are likely to be in the single digits.

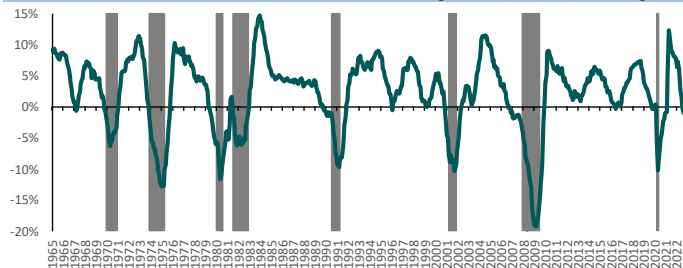
*Interest Rates - Rates have risen across the curve in 2022 in response to a shift in monetary policy. Fed Fund Futures markets are pricing in a total of 17 25bp rate hikes in 2022, with an implied Fed Funds target rate floor of 4.25% by year end.

*Inflation - Inflation is at 40yr highs as supply chain disruptions, labor shortages, and rising energy prices have impacted input costs for many businesses. Headline inflation eased lower in July and August thanks to falling energy prices, but core inflation reaccelerated sequentially in the August print.

Albion's Dashboard of Key Leading Economic Indicators as of 09/23/22

- Initial Jobless Claims (217k) - Stronger: claims have fallen in August & September
- Conference Board LEI (-1.0% y/y) - Weaker: has declined sequentially since peaking in Feb 2022
- Building Permits (1,517k) - Weaker: has declined during Q2 & Q3 on higher mortgage rates
- Corporate Bond Spreads (1.35%) - Weaker: IG spreads moving wider as equities decline
- Treasury Yield Curves (57.8% inv) - Weaker: more than half of the 45 Treasury curve points are inverted
- Consumer Confidence (103.2) - Stronger: rebounded in August as inflation pressures eased
- Real Final Sales (+0.4% y/y) - Weaker: lower in H1 '22 relative to Q4 '21 peak

Legend: ● = All Clear; ● = Caution; ● = Strong Warning

Chart of the Week - Conference Board US Leading Index (LEI) - Y/Y Change

Weekly Market Recap - 09/23/22
Market Data

Equity Indices	Close	Index Total Returns (%)				3y Cum.
		1 Week	MTD	QTD	YTD	
S&P 500	3,693	-4.6%	-6.5%	-2.1%	-21.6%	29.7%
Dow Jones Indus. Avg.	29,590	-4.0%	-6.0%	-3.3%	-17.3%	16.9%
NASDAQ	10,868	-5.1%	-8.0%	-1.3%	-30.1%	37.2%
S&P Midcap 400	2,239	-5.9%	-7.8%	-0.9%	-20.3%	20.3%
Russell 2000 (Small Cap)	1,680	-6.6%	-8.8%	-1.4%	-24.5%	11.9%
MSCI EAFE (Int'l Dev Mkt Eq)	1,688	-5.6%	-8.1%	-8.1%	-25.8%	-3.3%
MSCI EM (Emerging Mkt Eq)	906	-4.0%	-8.7%	-8.4%	-24.4%	-3.2%
MSCI World	2,439	-5.1%	-7.1%	-3.9%	-23.6%	16.5%
S&P Global 1200	2,689	-5.0%	-7.1%	-4.5%	-22.9%	17.4%

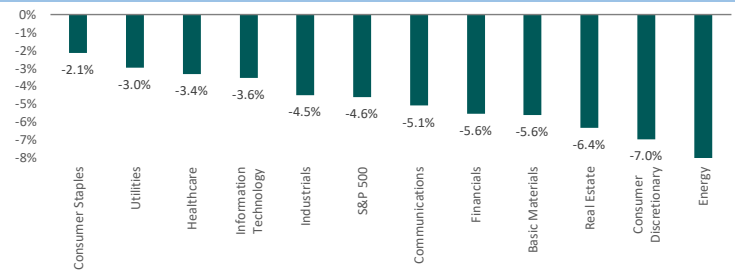
Fixed Income	Yield	Index Total Returns (%)				3y Cum.
		1 Week	MTD	QTD	YTD	
10y U.S. Treasuries	3.68%	-1.8%	-4.1%	-5.0%	-16.1%	-11.8%
U.S. Bonds (Aggregate)	4.62%	-1.6%	-3.4%	-3.8%	-13.8%	-8.4%
Global Bonds	3.59%	-2.4%	-4.4%	-6.3%	-19.3%	-15.9%
U.S. Munis	3.87%	-1.3%	-2.9%	-2.5%	-11.3%	-4.5%
U.S. Investment Grade Corp	5.43%	-1.6%	-3.4%	-3.2%	-17.2%	-8.7%
U.S. High Yield Corporates	9.25%	-1.7%	-2.6%	0.7%	-13.6%	-0.3%

US Interest Rates	Levels (%)					
	9/23/22	9/16/22	8/31/22	3/23/20	12/31/21	9/23/19
2y Treasuries	4.20	3.87	3.49	0.31	0.73	1.68
10y Treasuries	3.68	3.45	3.19	0.79	1.51	1.73
30y Treasuries	3.61	3.51	3.29	1.35	1.90	2.17
Fed Funds (Effective Rate)	3.08	2.33	2.33	0.15	0.07	1.90
SOFR (USD)	2.99	2.27	2.29	0.02	0.05	1.85
30y Fixed Mortgage	6.02	6.02	5.55	3.65	3.11	3.73

Commodity Prices	Levels					
	9/23/22	9/16/22	8/31/22	3/23/20	12/31/21	9/23/19
Oil (WTI)	78.74	85.11	89.55	23.36	75.21	58.64
Gasoline	3.70	3.68	3.83	2.11	3.29	2.66
Natural Gas	6.83	7.76	9.13	1.60	3.73	2.53
Gold	1,644	1,675	1,711	1,553	1,829	1,522

Currency Crosses	Levels					
	9/23/22	9/16/22	8/31/22	3/23/20	12/31/21	9/23/19
\$ per £	1.09	1.14	1.16	1.15	1.35	1.24
\$ per €	0.97	1.00	1.01	1.07	1.14	1.10
¥ per \$	143.3	142.9	139.0	111.2	115.1	107.6
¢ per Bitcoin	18,852	19,751	20,197	6,415	46,334	9,765

Macroeconomic Data	Value	Date	Next Rel. Cons Est	
			Next Rel.	Cons Est
Fed Funds Target (Floor)	3.00%	09/23/22	11/02/22	3.50%
Inflation (Core PCE Deflator)	4.6%	07/31/22	09/30/22	4.7%
Inflation (Headline CPI)	8.3%	08/31/22	10/13/22	-
Unemployment (U-3)	3.7%	08/31/22	10/07/22	3.7%
GDP Growth (Q/Q SAAR)	-0.6%	06/30/22	10/27/22	1.5%
ISM Manufacturing PMI	52.8	08/31/22	10/03/22	52.8
Consumer Confidence	103.2	08/31/22	09/27/22	104.5

Sector Total Returns for the Week Ending 09/23/22

YTD Sector Total Returns as of 09/23/22
